

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 PC-01 SAB-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

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P R 132129Z AUG 76

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 6732

INFO AMEMBASSY CARACAS

AMEMBASSY PANAMA

AMEMBASSY SANTIAGO

AMCONSUL MEDELLIN

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AMCONSUL CALI

C O N F I D E N T I A L BOGOTA 8256

EO: 11652: GDS

TAGS: ECON PFOR PINS PN CO CI

SUBJ: THE WEEK IN COLOMBIA

1. SUMMARY. THE GOC TOOK A SERIES OF MEASURES DESIGNED TO CONTROL A RECENTLY GROWING INFLATION. ANDEAN PACT MEMBERS (EXCEPLM FOR CHILE) MET TO DEVELOP A JOINT POSITION REGARDING CHILE. PRESIDENT LOPEZ MARKED HIS SECOND ANNIVERSARY IN OFFICE WITH A RADIO INTERVIEW IN WHICH HE REITERATE PREVIOUS MODERATE STATEMENTS ON THE PANAMA CANAL ISSUE AND COMMENTED ON DOMESTIC MATTERS. A PANAMANIAN TEAM BRIEFED COLOMBIAN MILITARY OFFICERS ON THE CANAL NEGOTIATIONS. DEBATE IN THE COLOMBIAN SENATE ON THE PARTIAL MILITARIZATION OF A GUERRILLA-AND CRIME-RIDDEN AREA IN NORTHERN ANTIOQUIA ELICITED A STATEMENT BY THE DEFENSE MINISTER THAT THE ARMED FORCES FULLY SUPPORT THE CONSTITUTION. END SUMMARY.

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2. ANTI-INFLATIONARY POLICIES. WITH CONSIDERABLE FANFARE AND MAJOR MEASURES TO CONTROL INFLATION WHICH HAS BEEN RETURNING TO AN OVER 20 PERCENT ANNUAL RATE. THE MEASURES, LIBERALIZATION OF SOME FOOD IMPORTS AND AGRICULTURAL INPUTS, ELIMINATION OF EXTERNAL FINANCING FOR COFFEE AND COTTON EXPORTS, AND OTHER MONETARY ADJUSTMENTS ARE FULLY CONSISTENT WITH EVOLVING POLICY AND DO NOT REPRESENT A NEW POLICY OR FRANTIC REACTION TO THE JULY INFLATION RATE. ON THE OTHER HAND THE ADMINISTRATION ALSO RAISED GASOLINE ABOUT 9 PERCENT BUT SAID THERE WOULD BE NO MORE GASOLINE OR TRANSPORTATION

PRICE INCREASES IN THE REST OF THE YEAR. THE LATTER BREAKS WITH GOC POLICY OF CORRECTING STRUCTURAL DISEQUILIBRIUMS BUT WILL PROBABLY CARRY A LOW ECONOMIC COST IF NOT CONTINUED THE END OF THE YEAR. (BOGOTA 8209).

3. ANDEAN PACT MEETING. ANDEAN PACT MEMBERS MINUS CHILE BEGAN MEETINGS IN BOYACA, COLOMBIA, TO TRY TO WORK OUT A COMMON POSITION FROM WHICH TO NEGOTIATE WITH CHILE. GOC SOURCES SAID THAT THE MEMBERS SEEMED TO HAVE BEEN TAKEN BY SURPRISE IN LIMA LAST WEEK BY CHILE'S POSITION AND WERE NOT PREPARED TO NEGOTIATE, CAUSING AN APPEARANCE OF EXTREME IMPASSE AND CHILEAN RIGIDITY WHICH THESE SOURCES WERE NOT SURE WAS THE CASE. THIS WEEK COLOMBIA WILL BE URGING FLEXIBILITY ON THE OTHER MEMBERS IN HOPES OF HOLDING THE PACT TOGETHER.

4. PRESIDENT LOPEZ AT THE HALF-WAY POINT. IN A RADIO INTERVIEW AUGUST 8, COMMEMORATING HIS SECOND ANNIVERSARY IN OFFICE, PRESIDENT LOPEZ REFERRED TO THE PANAMA CANAL AND SUGGESTED THAT FOR PURPOSES OF DEFENSE THE U.S. SHOULD REACH AN AGREEMENT WITH PANAMA SIMILAR TO THOSE IN FORCE WITH TURKEY AND SPAIN (BOGOTA 8037). HE ALSO REITERATED HIS HOPE, STATED IN HIS JULY 20 ADDRESS OPENING CONGRESS, THAT COLOMBIA AND VENEZUELA WOULD REACH AN AGREEMENT ON THEIR TERRITORIAL BOUNDARIES WITHIN THE NEXT TWO YEARS. LOPEZ LISTED AS ONE OF HIS MAJOR ACHIEVEMENTS THE APPOINTMENT OF YOUNG MEN AND WOMEN TO POSITIONS OF IMPORTANCE IN HIS ADMINISTRATION. HE SAID THE IMPACT OF THIS NEW GENERATION WOULD BE SEEN 8 TO 12 YEARS HENCE. THE GOVERNMENT'S EMPHASIS OVER THE NEXT TWO YEARS WOULD BE ON SOCIAL MATTERS, LOPEZ SAID, CITING AS PRINCIPAL GOALS A REFORM OF THE LABOR CODE, AND AN INTENSIFIED BATTLE AGAINST MONOPOLIES AND INFLATION. THE PRESIDENT GAVE HIS BLESSING TO THE

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OPENING OF THE POLITICAL SEASON, DESCRIBING THE APPEARANCE OF PRESIDENTIAL CANDIDATES FOR THE 1978 ELECTION AS HEALTHY AND NORMAL, NOW THAT TWO YEARS OF HIS ADMINISTRATION HAD PASSED. THIS COMMENT PROMPTED WIDESPREAD SPECULATION OVER POSSIBLE CANDIDATES IN BOTH PARTIES. THE MOST INTERESTING "NEW" NAME, WHICH RECEIVED CONSIDERABLE MENTION, WAS SENATOR HERNANDO AGUDELO (BOGOTA 7987).

5. PANAMANIAN BRIEF ON CANAL NEGOTIATIONS. AN EMBASSY SOURCE RE-

PORTED THAT JUAN TACK OF PANAMA AND A SEVEN-MAN DELEGATION ARRIVED IN COLOMBIA ON AUGUST 10 FOR A VISIT OF TWO OR THREE DAYS. TACK WILL PRESENT A TALK ON THE STATUS OF THE CANAL NEGOTIATIONS TO THE SUPERIOR WAR COLLEGE. GENERAL MATAALLANA, CHIEF OF THE COLOMBIAN JOINT STAFF, IS REPORTEDLY IN CHARGE OF THE VISIT. THERE HAS BEEN NO PUBLIC ANNOUNCEMENT OF THE PANAMANIAN VISIT. (PANAMA 5019).

6. MILITARY ASSURES GOVERNMENT OF ITS LOYALTY. MINISTER OF DEFENSE GENERAL VARON VALENCIA ASSURED THE GOVERNMENT AND PUBLIC ON 12 AUGUST THAT HE HAS "NO APPETITE FOR POWER" AND THAT THE ARMED FORCES SUPPORT CIVILIAN INSTITUTIONS. PE STATEMENT WAS PROMPTED BY CRITICISM IN THE SENATE OF THE RECENT APPOINTMENT OF MILITARY MAYORS TO REPLACE CIVILIAN OFFICIALS IN THE VIOLENCE-PLAGUED URABA RAGION OF ANTIOQUIA (BOGOTA 7261). THE MINISTER OF JUSTICE ALSO DEFENDED THE PARTIAL MILITARIZATION OF THE REGION, EXPLAINING THAT THE APPOINTMENTS WERE IN ACCORD WITH THE CONSTITUTION AND THAT THE MAYORS SERVE DIRECTLY UNDER THE DEPARTMENT GOVERNOR RATHER THAN THEIR MILITARY SUPERIORS.
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